

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Del D. Borgsdorf  
Terry Roberts

**SUBJECT: NEW SAN JOSE CITY HALL  
AND OFF-SITE PARKING GARAGE  
PROJECT UPDATE**

**DATE:** 06-24-04

Council District: Citywide



### **INFORMATION**

This report provides the latest contract award, schedule and budget information for the construction portion of the new City Hall project. A separate report provides updates on the non-construction (technology, furniture and equipment) portion of the project.

#### **I. CIVIC CENTER**

##### **A. General Update**

Construction of the new City Hall is progressing on schedule for substantial completion of the tower and council chamber wing in the spring of 2005.

- **Tower**

Since the last report, the tower's concrete decks have been completed through the 18<sup>th</sup> floor. The shear walls were completed in mid-June. The elevator tower curtain wall system is underway and is complete through the 6<sup>th</sup> floor. The freight elevator installation began on the third week in June. The tower curtain wall is complete through the 4<sup>th</sup> floor on the east elevation.

The tower's north side staircase is completed to the roof, and the south side staircase is being poured at a rate of one floor every four days. Completion is scheduled for mid-July. The water department has installed the fire and domestic water service to the tower.

- Council Wing

The council chamber wing roof is complete. The architectural walls at the battered wall staircase began in early June. Fireproofing of the council wing is nearing completion.

Rotunda

Installation of the rotunda steel began in early June, and when completely framed in mid-July will bring its scale into perspective.

- Battered Wall

The walkways along the battered wall were poured in early June. Construction of the limestone facade will begin in July.

- Plaza

Waterproofing tie-ins at the plaza were completed in mid-June. The water feature is an integral part of the plaza and is being fully coordinated with the pouring of the plaza deck.

**B. Project Schedule and Move-In Window**

The project is approximately 56% complete. To date, the major construction milestones include completion of the foundation, the plaza deck and structural steel in the tower, the council chamber wing structural steel and concrete.

As reported in May, the project remains on schedule for substantial completion in the spring of 2005 so move-in can begin. Completion of the rotunda is expected near the end of the move-in process. Construction coordination with the City's move consultant is well underway. The move-in window is scheduled to begin in April 2005 and continue through August 2005 resulting in the move of about 1,750 people to the building. The modular and freestanding furniture will begin to be moved-in as early as January along with the installation of IT connections and system testing. We will be taking possession of each floor as it is finished and begin staff move-in shortly thereafter to ensure the earliest possible move-in completion for all operations.

We are in the process of finalizing the move-in plan that will evaluate the business activities that need to be coordinated and organized in the move sequence so that there is minimal disruption in City services during the move process.

C. Public Art

The artist's design development proposals for *Lead the Parade* were presented for information and feedback at the February 24, 2004 Public Art Committee meeting and displayed at City Hall for community input. The Public Art Committee reviewed the final proposal at their April 27, 2004 meeting and recommended approval at their May 18, 2004 meeting. On May 25, 2004, the Arts Commission approved a staff recommendation that the City Council authorize the City Manager to negotiate and execute an agreement with artist Andrew Leicester to fabricate and install artwork. This recommendation is agendaized for the June 29, 2004 Council meeting.

D. Fifth Street/Civic Plaza Streetscape

The Fifth Street/Civic Plaza Streetscape Project is a public space improvement consisting of widened concrete sidewalks and a concrete roadway with improved signalizations along East Santa Clara Street at the intersections of Fourth, Fifth and Sixth Streets. It compliments the new City Hall design and surrounding downtown neighborhoods by providing a quality pedestrian experience along Fifth Street with public art and pedestrian and street lighting between San Fernando and St. John Streets.

Construction documents are at 100% and currently in the review process. The construction documents were approved on Friday, June 18th and the bid package was available on Tuesday, June 22nd. Bids will be open on Tuesday, July 20th and the Agency Board will award the bid on Tuesday, August 10th.

Staff anticipates that the South Fifth Street construction phase will occur between August 2004 - March 2005 and the North Fifth Street phase will occur between September 2004 - April 2005.

E. Items of Interest

The new City Hall website now includes the Fifth Street Streetscape project. In addition, all Council information memos will be posted in late June. A photo-journal, documenting the construction progress is being prepared for inclusion.

A new City Hall page has been incorporated into the City's intranet. This site provides staff information and links to the new City Hall and Public Art Program Internet websites.

The safety record for the project continues to be excellent with the number of incidents reported falling significantly below industry standards. This track record remains a source of pride for the contractors, safety officers, and the City, as members of the team are committed to promoting a safe work environment.

## **II. OFF-SITE PARKING GARAGE**

As reported earlier, on March 9, 2004, the Santa Clara County Superior Court ruled that the parking garage construction be delayed until the Supplemental Environmental Impact Report is resubmitted. This action was in response to a lawsuit filed by PAC SJ regarding the demolition of the Fox Building.

To comply with the Court's direction, staff prepared a Draft Recirculated Supplemental Environmental Impact Report (DRSEIR) and circulated the report for a 30-day public review period. Received comments were addressed and submitted as a packet to each responder. Staff will present the DRSEIR to the planning commission on Wednesday, June 23, 2004, and will present the report to the Council on June 29, 2004 should a protest be filed.

This process delayed the award of the construction contract for the garage project. Construction bids were opened on January 15, 2004, and Swinerton's low bid was \$1.3 million under the Engineer's Estimate. This bid expires on July 13, 2004 and Swinerton has notified staff that it will not extend the bid time period, which means the project must be rebid.

Rebidding the project will most likely result in higher costs due to increased steel and concrete costs. Therefore, the \$1.3 million savings previously projected will likely not be achieved. This will jeopardize the possibility that the construction cost for the overall project will stay within budget.

If the garage is not available for employee parking at the time of move-in, an alternative employee-parking plan will be implemented. This alternative-parking plan will utilize a combination of downtown and off site parking sites.

## **III. PROJECT CONSTRUCTION BUDGET SUMMARY**

In the last report, a total of 38 contracts had been awarded and together with the pending low bid proposal on the parking garage totaled \$1.3 million of savings below the estimated construction costs. However, the \$1.3 million savings from the parking garage is at risk. As has been noted in previous project construction cost reports, the City staff evaluates each bid package for opportunities to reduce project costs without compromising quality or functionality (value engineering) with the ultimate goal and interest being to keep the overall project within budget.

### **A. Construction Contracts**

Since the last report on April 27, 2004, four contracts have been awarded and the contract for the parking garage is still pending resolution of the lawsuit filed by PAC SJ. These contracts total \$3.1 million and are summarized as follows:

<u>Description</u>	<u>Contractor</u>	<u>Low Bid</u>	<u>Budget</u>	<u>Variance</u>
<i>Flooring</i>	Preston-Holmes	\$1,277,083	\$1,581,537	\$(304,454)
<i>Access Flooring</i>	Performance	\$ 102,899	\$ 74,464	\$ 28,435
<i>Ornamental Metals</i>	C.E. Toland	\$1,120,500	\$ 404,663	\$ 715,837
<i>Terrazzo</i>	Associated Terrazzo	\$ 595,870	\$ 751,310	\$(155,440)
<b><i>TOTAL</i></b>		<b>\$3,096,352</b>	<b>\$2,811,974</b>	<b>\$ 284,378</b>

Staff is pursuing several opportunities to reduce costs in some of these bids through value engineering change orders.

The 42 contracts awarded to date and the low bid proposal on the parking garage have resulted in savings of approximately \$1 million. However, as mentioned earlier, the \$1.3 million savings from the parking garage is at risk. It is expected that all savings will be needed to complete the project. Cost-saving measures are ongoing as we manage design elements of the project to stay within the budget. As we near completion of contract buyouts, opportunity for future savings will be reduced.

Three construction contracts remain to be awarded. Voice/Data cabling is scheduled for award on June 22<sup>nd</sup>. The site concrete bid package was opened on June 15<sup>th</sup> and the results are being evaluated, and the signage contract is scheduled to be advertised in July and awarded in early August 2004.

#### B. Construction Budget Summary

As of May 31, 2004, we have expensed and encumbered \$284.6 million out of a total \$343 million project budget. The chart below illustrates the budget breakdown by project components: off-site parking garage, land acquisition, design and construction (including public art).

<b>Budget Summary (in millions)</b>			
<b>As of 05-31-04</b>			
<b>Description</b>	<b>Budget</b>	<b>Total Expended/ Encumbered</b>	<b>Remaining</b>
Offsite Garage	\$ 25.0	\$ 2.4	\$ 22.6
Land acquisition and relocation	\$ 54.5	\$ 47.6	\$ 6.9
Design, Construction, Public Art (includes \$197 million for construction & \$66.5 million for other costs)	\$ 263.5	\$ 234.6	\$ 28.9
<b>Total</b>	<b>\$ 343.0</b>	<b>\$ 284.6</b>	<b>\$ 58.4</b>

(Note: garage construction contract is not yet expended or encumbered)

#### **IV. COST PROJECTIONS / MANAGING THE BUDGET**

Overall, the most recent bids continue to result in bids higher than the Joint Venture's (JV) estimates. Of the last 17 bids that have been awarded, 12 have exceeded the budget estimate. When the pending bid for the parking garage is factored in, the reduced overall construction award saving is reduced from \$1.3 to \$1.0 million. As previously noted, the current savings includes \$1.3 million in savings from the off-site garage. This savings is at risk due to construction delays from the PAC SJ lawsuit.

Factors contributing to the higher than expected bids include the following: the construction bidding environment has become less competitive because the construction market is picking up; the work on this project is very complex which reduces the firms opting to bid, specialized finish work is less competitive due to the nature of the work, and some materials costs are greatly increasing especially any work containing steel or oil based products. In addition it appears concrete prices may be on the rise.

As noted in the previous report current projections still show costs trending \$3 to 4 million over the \$343 million budget. Staff and the JV continue our value engineering (VE) efforts to reduce costs. There are still opportunities to VE the project and use the savings to close the project within budget. However, the costs resulting from the PAC SJ lawsuit on the parking garage and the bid costs trending upward make budget balancing much more challenging over the last several months. If the parking garage rebid costs are significantly increased over the original bids, it will be very difficult to find value engineering savings to cover the added costs at this late date. In that instance, it would be

possible that the construction costs would exceed the budget. Staff and the JV will continue to do everything possible to keep the project within budget.

While the total construction contingency available to the City and JV remains at about \$8 million, it is expected that the contingency amount will be needed to complete the project.

### **BUDGET BALANCING STRATEGIES**

To date over \$11 million has been value engineered from the design submitted by Richard Meier & Partners while still retaining an exceptional architectural design and high quality functional and operational spaces.

The difficult balance using value engineering is to reduce costs to stay within budget while not significantly and adversely affecting the architecture or function of the project. Due to the nature of the ongoing multiple prime contracting process, we are currently working with JV cost projections to manage the budget and will be unable to more precisely predict costs for several months when the project is closer to 80% complete. Therefore, if the JV cost projections are accurate our value engineering efforts are more likely to bring the project in on budget. Otherwise, we may value engineer too much and leave important improvements out of the project, or value engineer too little and risk exceeding the budget.

Staff and the JV are committed to doing everything possible to stay on budget but are still trying to be judicious and not over value engineer the project at this point thereby preserving a high quality final result. In striking this balance, several reductions have been made to date that would have been desirable but were not absolutely needed. And several items have been left in the project that were on the margin as possibly cuttable but having a greater architectural / functional impact.

Examples are as follows:

Deleted from the project (desirable but not absolutely needed):

- Terrazzo floor in customer service center, restrooms, and walkways. Carpeting and tile will be used instead at a savings of \$750,000.
- Metal work around all elevators. Switched alternatively to wood at a savings of \$400,000.
- Metal finish work and metal framing work in customer service center. Switched to wood saving \$300,000.
- Reduced a portion of wood paneling and finishing in Council Chambers saving \$80,000.
- Revise ceiling lighting and speaker design feature in Council Chamber saving \$250,000.
- Replace decorative metal work in galleria with painted sheetrock and wood at a savings of \$180,000.
- Replace metal paneling with painted sheetrock in restrooms saving \$110,000.

2. Retained in the project as important (risks exceeding the budget if other VE reductions cannot be found and the parking garage costs significantly increase):
  - Retained terrazzo floor in rotunda. Deleting this would save an additional \$400,000 but would significantly degrade this important ceremonial and public space.
  - Retained woodwork surrounding all elevators. Could switch to painted sheetrock at a savings of \$200,000 but will also result in maintenance problems and affect the interior quality of the facility.
  - Retained wood and metal perforated acoustics material in Council Chamber, customer service center, and rotunda. Switching to painted sheetrock or fabric would save \$310,000 but would degrade acoustics and overall quality of the facility.
  - Retained various millwork in Council Chambers and customer service center. Deleting this work or changing the type of material could save \$240,000 but would degrade the quality and function of the facility and increase maintenance.

Staff and the JV will continue our value engineering strategies to keep the project within budget while not undermining the mission, quality, function, or long-term maintenance needs of the project.

## **CONCLUSION**

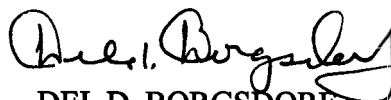
The new San José City Hall remains on schedule for the move-in process to begin in spring 2005, with the move-in window set to begin in April 2005 and end in August 2005. The off-site parking garage is programmed for a 14-month construction timeline, but the schedule is on hold pending outcome of the PAC SJ lawsuit. Construction contract awards are running approximately \$1.0 million under budget. This savings is at risk due to the parking garage award delay. In addition recent bids have been trending above budget estimates. However, value engineering and other cost reduction efforts are continuing to keep the project within budget.

The project is rapidly beginning to take shape and we can now get a good sense of the New City Hall and rotunda size, scope, and complexity. The exceptional project architectural design and quality continues to emerge, meeting or exceeding original expectations. All work done to date promises a spectacular facility resulting in our ability to provide high quality customer services to the residents and businesses in San José.

To keep you informed and up-to-date on the status of construction, additional site tours for Mayor and members of Council will be scheduled in August.



TERRY ROBERTS  
Deputy City Manager



DEL D. BORGS DORF  
City Manager



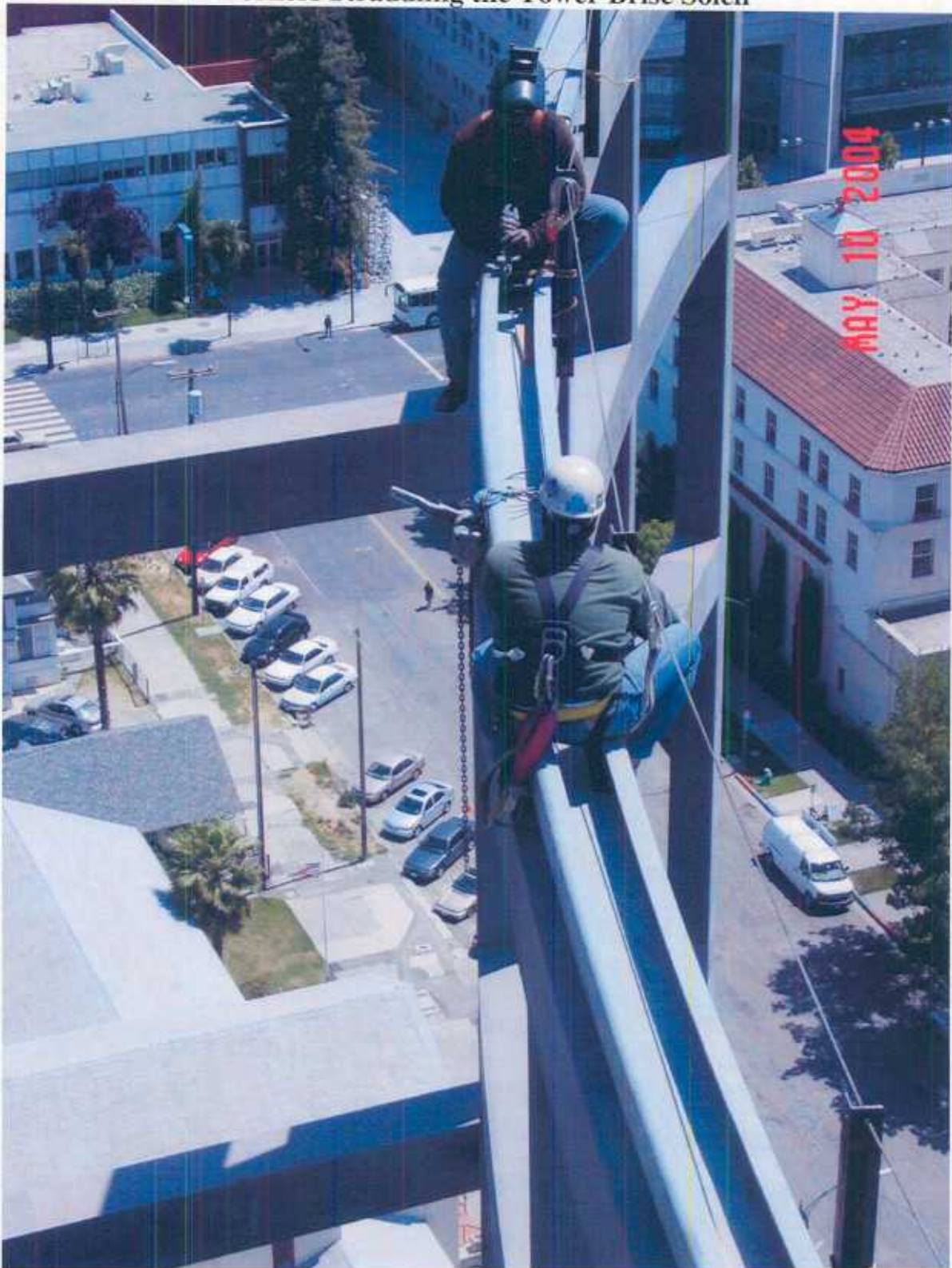
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Workers Straddling the Tower Brise Soleil



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**GALLERY SPACE BETWEEN COUNCIL CHAMBER AND  
BATTERED WALL**





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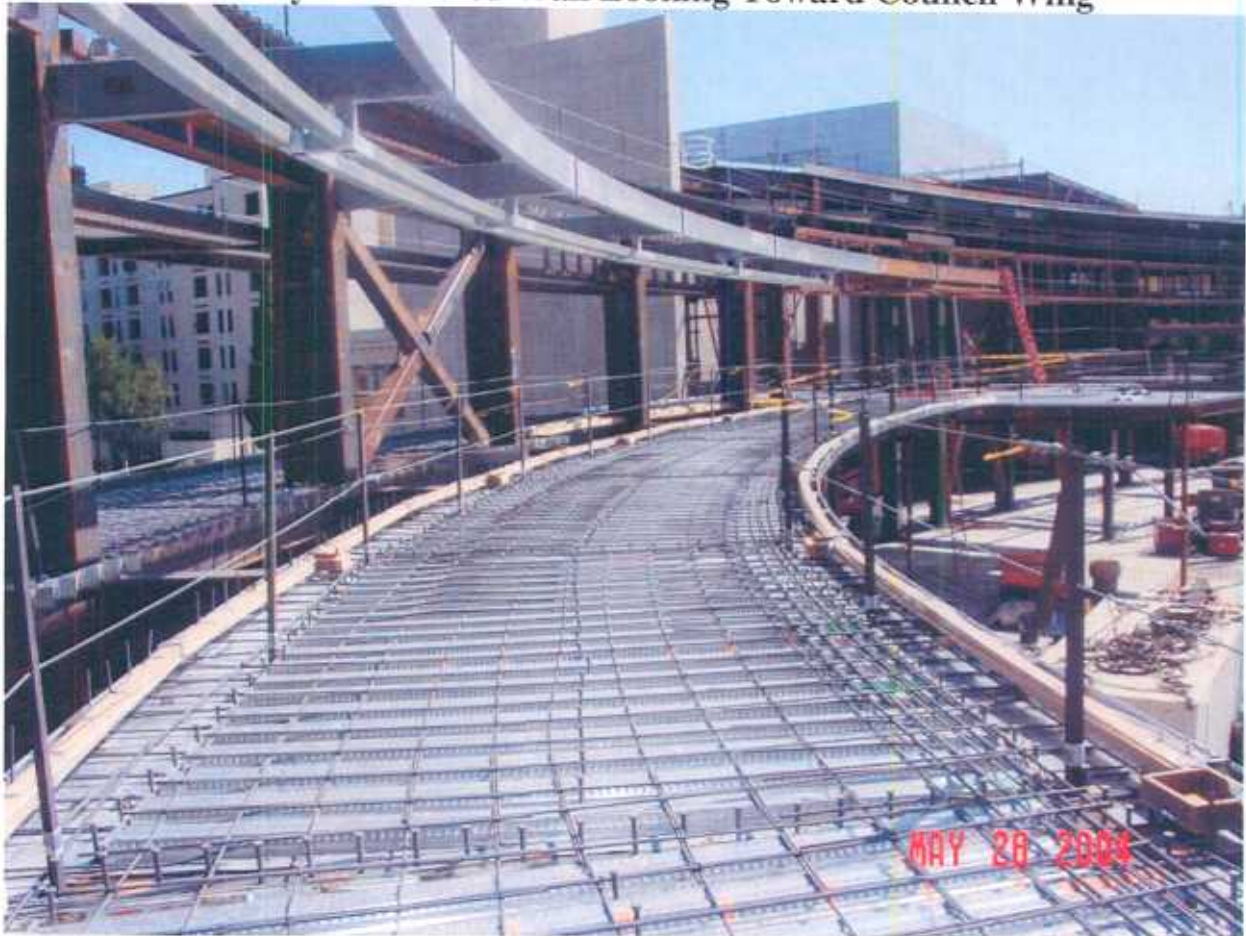
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**Tower with Rotunda Steel and Council Wing in the Foreground**



Walkway on Battered Wall Looking Toward Council Wing





Rotunda Steel Erection

